

1 come up with a very dynamic definition of universal service in
2 that report. There is also -- all the way at the end of the
3 report, a two page statement by Alaska Public Interest Research
4 Group, we perceived this, as I think, the Clinton
5 administration and as events by Larry Irving that universal
6 service is now to be conceptualized as a basic right as -- as a
7 democratizing tool. And this is certainly something that is
8 going to be critical to rural Alaska.

9 Rural Alaska will either participate fully and enjoy
10 the potential to enhance its political economic and social
11 opportunities. If we loop -- if we give a full panoply of
12 services to these 200 plus villages, whether or not the market
13 dictates that at the present time or it will become
14 marginalized. The people in the bush will become -- the area
15 will become marginalized, a vast technological ghetto, the
16 individuals there, their hopes, their dreams, their aspirations
17 will die with their loss of access to the information highway.
18 So this is the challenge, this is the challenge. The report
19 has a history of telecommunications in this state, Commissioner
20 Chong. But sometimes it's read -- it's written for Alaskans
21 only.

22 For example, it says, that with the coming of ANCSA,
23 the Alaska Native Claims Settlement Act, telephones arrived in
24 the smaller villages. Well, you know when that was, 1972, not
25 so long ago, at least for me, not so long ago. Then maybe

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810 N STREET
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1007 WEST THIRD AVENUE
272-7515

ANCHORAGE, ALASKA 99501

1 we're talking about a single village, a single phone and maybe
2 we're talking about a phone that -- whose transmission bounced
3 from hither and yon and make -- and still does, making it
4 totally inappropriate for a modem, for a fax, for the various
5 tools of the technological revolution. I look to the service
6 providers to make changes in that domain.

7 But more important in my discussions with Alaska Native
8 people, they very much want to be a part of this process. They
9 see themselves -- they see the leveling of the social landscape
10 here with an opportunity for new access to education and
11 government services and new economic opportunities. They are
12 in much the same way as those in the commerce department, the
13 survey that was done by the commerce department, falling
14 through the net, the have not's. As with other Native
15 Americans, there is a very low level of telephone penetration
16 in these rural villages at this time. On the other hand, as
17 that interesting survey indicated, Native Americans here as
18 they are using what they have to take courses, to access
19 government reports. In other words, there is an immediate
20 appreciation of the utility of this tool.

21 Now, speaking to some of the things I thought I was
22 going to have 10 hours, he said 10 minutes, I'm sorry. So I
23 prepared a three credit class, but I'll cut it back to 10
24 minutes. Not only should the issue of core services be
25 addressed, ma'am, but also the local calling area because after

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810 N STREET
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1007 WEST THIRD AVENUE
272-7515

1 all we're dealing with tolls -- access tolls once one gets
2 beyond that small village. One has to conceptualize local
3 calling areas not in the sky and not based on a theory of
4 models, but based on how Alaska has evolved governmentally and
5 socially. That is to say if we're talking about access to
6 fire, police, medical, emergency or as people later on will
7 talk about, education and many other services, there are
8 already grids -- so there are already grids put together of
9 linkages, there are already linkups between clusters of
10 villages, all of the villages are not free floating islands.
11 There are natural affinity linkages, linkages by language,
12 linkages by societal evolution since 1972 and even before.

13 In addition, the Land Claims Settlement Act is made of
14 villagers, stockholders and corporations that are quite
15 distant. When I talk to Native people, they tell me that voice
16 transmissions, for example, just to use a single example or the
17 ability to do video conferencing could be an absolute boom to
18 the village Alaska -- the Chulista Region which happens to have
19 25 percent of the villages and I believe 20 percent of the
20 Alaska Native population. The Alaska Native population, by the
21 way, is 17 percent of our population, much like New Mexico,
22 vis-a-vis American Indians. They say to me, you know -- they
23 say to me, you know, how many frequent flyer tickets we earned
24 and you get a mile a dollar -- or you spend -- they said, we
25 earned four last year. In other words, they spent \$80,000 just

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810 N STREET
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1007 WEST THIRD AVENUE
272-7515

1 doing singular communications from the headquarters of their
2 corporation back to the 57 villages in that region. And they
3 also say, how many dollars do we spend flying people back and
4 forth to attend these meetings when people would rather stay at
5 home.

6 Now, these villages.....

7 MR. MAY: One minute, Mr. Conn.

8 MR. CONN: Yes, sir. These villages are for real and
9 they're not going away. People have met every kind of
10 challenge, disease, economic, you name it because the villages
11 serve as staging areas for Native culture and for subsistence
12 economies. They want to be a part of the total society. I
13 believe that what I've read indicates that universal service is
14 a basic right and what I would mostly argue here in terms of
15 this process that you get person to person, village to village
16 communication with those people, that they be part of this.
17 They may be daunted by some of the technological discussion
18 here, but they certainly know what they need. They certainly
19 know what they want. And if they know that that opportunity is
20 on the table they're going to reach out and have a dialogue
21 with you. And.....

22 MR. MAY: Thank you, Mr. Conn.

23 MR. CONN:I thank you very much.

24 CHAIRMAN COTTEN: Good timing.

25 MR. MAY: Commissioner Chong.

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1007 WEST THIRD AVENUE
272-7515

1 MS. CHONG: Thank you. That's a very unique
2 perspective and I appreciate that, Mr. Conn. First of all,
3 could you flush out for me a little bit and as briefly as you
4 can because I do have a few questions for you, what is the
5 subscribership level, the telephone penetration level in these
6 villages that you're mentioning?

7 MR. CONN: In the 2001 report, in data gathered there
8 that I've marked, many times the penetration rate is something
9 on the level of 50 percent and less.

10 MS. CHONG: And what is the penetration rate in urban
11 Alaska?

12 MR. CONN: Well, if we look at the census data, which
13 some people challenged in that confab, they're talking 90, 93
14 percent. But of course, we're talking more than that, we're
15 talking fiberoptic here, we're talking broadband width in the
16 urban area and we're talking, I think -- I think the term is
17 two-line copper wire marginal, but there.

18 MS. CHONG: Right.

19 MR. CONN: We're talking about a need to transform the
20 infrastructure that has to be factored into the question of
21 cost and access, ma'am.

22 MS. CHONG: Now, you seem to be suggesting that
23 something more than just the basic core services that I had
24 reviewed with Mr. DeFrancisco might be appropriate for the
25 remote areas. Are you suggesting that we should be providing

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1007 WEST THIRD AVENUE
272-7515

ANCHORAGE, ALASKA 99501

1 something, for example, more advanced services such as two way
2 internet to these villages, is that what you're saying?

3 MR. CONN: Absolutely.

4 MS. CHONG: Do you think we should have a two tiered
5 approach, one type of core service in certain areas, but in the
6 remote or rural areas, a second type because of the challenges
7 of the remote or rural areas, is that what you're arguing?

8 MR. CONN: Well, I don't know the concept. I'm out of
9 your professional loop here, two tier, I don't know -- I don't
10 understand the.....

11 MS. CHONG: I'm just saying.....

12 MR. CONN:concept.

13 MS. CHONG:do you think that in an urban area,
14 the core services should be different than what you're
15 suggesting for non-urban areas?

16 MR. CONN: I think we could start with the idea that
17 the policy statement or the Act and the policy statements I've
18 read from commerce and so forth suggest that we try to level
19 the playing field and expand the social landscape. I think
20 that what we've already confronted as we went through the rural
21 modernization plan and attempt to create a base transmission
22 level was the attitude flowing from mark -- the perspective of
23 market competition that will wait for powerful and people who
24 are prepared to pay to demand it and then we'll send it out
25 there, we'll make it happen. Well, it's quite the reverse. We

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1007 WEST THIRD AVENUE
272-7515

1 need this infrastructure for the villages to take up
2 opportunities that they have not yet been able to take up, save
3 costs and secure political and economic rights.

4 MS. CHONG: Now, let's look at the concept of
5 affordability for a minute. This is a new concept that the Act
6 has introduced of affordability. What do you think we ought to
7 use, especially in these remote or rural areas as an
8 affordability indicator or marker?

9 MR. CONN: Affordability is going to have to factor --
10 if I'm understanding the concept, again, any time you move into
11 the technical, I'm marginalized myself. If affordability means
12 infrastructure, affordability has to do with income -- but
13 affordability -- fundamentally we need -- we need a continuing
14 subsidy. I mean let's not make any bones about it. Three of
15 the poorest census areas in the country right along side with
16 rural Mississippi are out where we're talking about in bush
17 Alaska. And so this is going to -- this is going to require a
18 mega contribution, a glean from somewhere out to create the
19 grid and infrastructure that I'm talking about. The payoff
20 though will be immediate. I'm talking to people at -- for
21 example, the Chalista people are talking about setting up
22 something out of their regional center in Bethel that would
23 bring fiberoptic to villages nearby and then they say to me, we
24 need the subsidy in the initial stages, but we see the subsidy
25 being diminished in later years.' But in other words, that's

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1007 WEST THIRD AVENUE
272-7515

ANCHORAGE, ALASKA 99501

1 the attitude.

2 MS. CHONG: Thank you very much.

3 MR. CONN: Thank you.

4 MR. MAY: Thank you. Mr. Chairman.

5 CHAIRMAN COTTEN: Pass again.

6 MR. MAY: My next speaker is Greg Jones, Vice President
7 for Rural Services for General Communication, Inc., GCI. GCI
8 is one of two facilities based long distance carriers in Alaska
9 and the newest entrance to the market. Mr. Jones is fairly new
10 to telecommunications he tells me, but has extensive experience
11 in rural Alaska as a community planner and entrepreneur.
12 Mr. Jones.

13 MR. JONES: Thank you, Don and it's a pleasure to be
14 here and a real honor, actually for me to be up here with
15 people involved in the telecommunications industry, to the
16 level they are. I'm can sympathy with Mr. Conn, I'm
17 technically challenged in this area. My background's sort of
18 opposite of Jerry DeFrancisco's, I've got about 32 years in
19 Alaska, 23 of those kicking around in rural Alaska and about a
20 little less than a year in telecommunications. So I won't try
21 to talk to this group about technical telecommunications, there
22 are a number of people in the audience from my company that can
23 help me with those kind of questions.

24 We need, however, to understand and I'd like to talk
25 about the way services of all types have been delivered to

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1007 WEST THIRD AVENUE
272-7515

1 rural Alaska historically, including telecommunications. And
2 talk about some better ways that they can be delivered. In
3 order to deliver universal service we need competition and we
4 need facilities. In some cases, I'm afraid that fear of the
5 market place has become a bottleneck to delivering those kinds
6 of services in modern technology.

7 Historically, too often, much of the new services that
8 have been provided to rural Alaska have been done so on a
9 project basis, that's been true of underground utilities of
10 energy efficient homes and of telecommunications. They develop
11 a project, the technology is developed elsewhere, a project's
12 developed, it's funded by either business or an agency, a team
13 is put together and they deliver the service, the new
14 technology to rural Alaska and then they're done. And there it
15 sits and it doesn't evolve, there is no evolutionary process
16 beyond that in many -- all too often. In order for
17 telecommunications to be effectively delivered to rural Alaska,
18 there has to be an ongoing evolutionary process.

19 In order for telecommunications to switch from a
20 project oriented basis, which it has been in the past, it has
21 to be consumer demand based. We're finding that consumer
22 demand, I think that the level of service that Mr. Conn talked
23 about are demanded out there, I'm not sure that the subsidies
24 are necessary simply because in our travels in rural Alaska
25 we're finding the people who are trying to use the services

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810 N STREET
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1007 WEST THIRD AVENUE
272-7515

1 with the existing facilities and the entities very much want to
2 use those types of services.

3 In order to deliver them, that demand's got to be --
4 got to flow through a delivery structure, the various companies
5 involved in delivering services to the providers and the
6 service has to be able to flow back through that structure fast
7 and efficiently. The system for delivering this, the seamless
8 network through the IXE's and the LEC's and the ISB's and the
9 cable companies, you need a three letter designator for cable
10 companies I think. For all of this to work, the system has to
11 be seamless. Everybody has to be working towards providing
12 service to the consumer.

13 This morning I read a quote from Mark Badger (ph) in a
14 note that to do with rural television, it said, the era of easy
15 money is over and our current period in history calls on
16 everyone to think and act responsibly to make the goal of
17 connecting Alaska a reality. He was talking about TV, but it
18 really applies broadly to telecommunications. To create an
19 evolutionary environment, the ongoing primary goal must be to
20 connect the consumer.

21 My recent experience in telecommunication has been in
22 the role out of the Dama Project (ph) in rural Alaska. And of
23 course the obvious question is, are we creating that
24 evolutionary process through that role now. The technology is
25 resolved and I agree with Jerry on that, the logistics are

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1007 WEST THIRD AVENUE
272-7515

1 conquered. The financial feasibility from our prospective is
2 established and the regulatory barriers have generally been
3 crossed. But there is still a significant problem.

4 The biggest single problem that we're beginning to
5 face, we're beginning to realize is there is the services are
6 being delivered by such a huge variety of business types and
7 other entities, everything from the largest telecommunication
8 providers in the world to the small IRA village cable -- or IRA
9 owned-village cable system-have widely varying perspectives.
10 Ownership ranges from public stock to Native corporations to
11 individual investor owned to co-ops, so again the local
12 governments and IRA councils and their focus ranges from social
13 to pure bottom line. Many are motivated by fear of the
14 unknown, fear of the new market place, fear of the future.

15 With all of these different perspectives, the task of
16 the provider is to find their way through that maze to the
17 consumer. We're finding a corresponding variation in the
18 ability and intent of the delivery companies to provide the
19 service. Now, we were asking these companies for an
20 interconnection using modern digital technology and equal
21 access for the consumer in a timely manner. It's odd
22 telecommunications, from the new guy's standpoint, makes
23 strange bedfellows.

24 The investor owned local exchanges vary widely in their
25 response to the need for service in rural Alaska. Some are

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1007 WEST THIRD AVENUE
272-7515

1 matter of fact in their compliance with federal regulations,
2 state regulations. They know the rules, they roll out the
3 service fast and efficient by the book.

4 Others are slow to respond. They're unprepared to meet
5 us even though we've -- the entire industry has known for
6 months and years that we were headed in this direction. Many
7 are unwilling to change their schedules to help provide new
8 modern telecommunication services to rural Alaska.

9 There seems to be an element of fear, perhaps a
10 justified fear, but it's there that they're going to lose their
11 monopoly position when dealing with us. We've been told by
12 some that they just won't work with us because we're the
13 potential competitor. As a result, we face the prospect of
14 leaving new earth stations cold and dark this winter because
15 they're not connected to the delivery network. This attitude
16 slows down the delivery of service to the consumer.

17 It's interesting also that the co-op legs are working
18 generally towards the same goal that GCI is. They're
19 consistently working to provide this service for us. They have
20 their own set of built-in constraints, it can be frustrating,
21 usually characterized by less flexibility and making changes in
22 their budgets and manpower, slower decision making process.
23 But that's primarily because of the fiduciary relationship they
24 have with their subscribers. But they're all sincere in their
25 commitment to provide the new service. Both their own new

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810 N STREET
277-0572/Fax 274-8982

1007 WEST THIRD AVENUE
272-7515

1 services which they're rolling out and our service to the
2 consumer. Incidentally -- coincidentally, they're all fairly
3 secure in their market position.

4 Summarizing the technical, logistical marketing
5 financial issues related to the delivery of modern
6 telecommunications to rural Alaska have generally been solved
7 and are being solved through the market forces, through normal
8 course of business. GCI's doing it, AT&T Alascom is doing it.
9 Others are preparing to do the same thing. Consumer groups are
10 forming to help shape the service to help direct the -- to
11 configure the types of services delivered, it's a healthy
12 market environment. But the bottleneck, the break in the flow,
13 the hinderance to the evolutionary process is in some of the
14 response to some of the legs.

15 When you boil it down, it's really the fear of the
16 market that's slowing down the delivery of competitive modern
17 telecommunications. We need to replace that fear with resolve
18 to serve the consumer through the market place. If that
19 occurs, if we can work towards that direction together, then
20 the evolutionary process will follow and telecommunications
21 will keep up and meet the demand that rural Alaska has.

22 MR. MAY: Thank you, Mr. Jones. Commissioner Chong.

23 MS. CHONG: Thank you. Mr. Jones, do you have any
24 statistics on telephone penetration in the rural areas?

25 MR. JONES: I don't have statistics, I believe they're

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810 N STREET
277-0572/Fax 274-8982

1007 WEST THIRD AVENUE
272-7515

1 a little higher than Mr. Conn -- my experience is that they're
2 a little higher than Mr. Conn suggested. It varies widely from
3 the size of the community. The very smallest communities,
4 you'll find the lowest probably in that 50 percent range, in
5 the very smallest communities. But as you get into the larger
6 communities you find fairly ubiquitous service.

7 MS. CHONG: I'm wondering if you could fill me in a
8 little bit on the status of equal access in Alaska, you
9 mentioned it at one point.

10 MR. JONES: We're in the middle of our construction
11 process on the 56 site new facilities. We have scheduled equal
12 access in four cities ballots to be mailed this fall. Those
13 will be the Barrow, Nome, Unalakleet and Bethel, Alaska, equal
14 access cutover I believe is February 29th, with ballots mailed
15 this fall. And that represents almost half of the market
16 population within this -- within the 56 sites that we're
17 currently under way.

18 And then we're getting -- we'll probably have a process
19 beyond that, we don't have dates yet of a number of subsequent
20 equal access cutovers in some of the legs. There are a few of
21 them that have been unable to give us any estimation of equal
22 access dates.

23 MS. CHONG: Because of the very strong pro-competitive
24 bent of the Act, you are probably aware that the Commission
25 feels very strongly that equal access is very important to

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1007 WEST THIRD AVENUE
272-7515

1 developing competition. Do you think that the Commission
2 should mandate equal access in Alaska, are the costs of
3 implementing it in the remaining half of the market's minor or
4 expensive?

5 MR. JONES: The costs are, in many cases, fairly
6 significant. And I don't believe that an across the board
7 mandate -- it may not serve the public because it may increase
8 the cost of the service. I think that there ought to be every
9 encouragement that equal-access occur at an early stage. But I
10 really believe that that encouragement would be adequate.

11 The -- what we really need is an attitude of trying to
12 provide equal access to the consumer. When they -- when the
13 consumer's interests are considered, then I think equal access
14 will occur quickly.

15 MS. CHONG: Now, you say there's going to be a cost
16 impact, what do you think the costs are?

17 MR. JONES: Much of the equipment in rural Alaska is --
18 requires upgrading and it -- the impact of that could be felt
19 throughout the equal access process. That's one of the
20 problems that we're faced with, is the equipment upgrades that
21 are required in rural Alaska.

22 MS. CHONG: Do you think that the joint board should
23 establish standards or guidelines as to quality of services to
24 be delivered on universal service?

25 MR. JONES: That's a hard one for me to answer again,

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810 N STREET
277-0572/Fax 274-8982

1007 WEST THIRD AVENUE
272-7515

1 being non-technical. I think generally rural Alaska deserves
2 the highest quality available technologically speaking and I
3 believe it can be delivered. So I don't believe -- I guess my
4 initial reaction after thinking about it is, there's no reason
5 not to because it can be delivered -- the highest quality
6 available to Anchorage can be delivered in New Styock.

7 MS. CHONG: Do you think currently the quality of
8 service is the same as what's delivered to urban Alaska as to
9 the rural areas?

10 MR. JONES: Oh, certainly not, no. The stagnation in
11 technology that occurred in rural Alaska -- because of that
12 project oriented method of providing service has resulted in
13 rural Alaska lagging way behind in terms of the level of
14 quality.

15 MS. CHONG: Thank you very much.

16 MR. MAY: Chairman Cotten.

17 CHAIRMAN COTTEN: Well, just a quick question here.
18 Actually for Greg who's had perhaps a lot more experience in
19 rural Alaska than the people on our Commission here and your
20 planning background. Do you think that there is much to be
21 gained by having more involvement on the part of state and
22 federal regulators actually getting out in the rural areas and
23 more hands-on, do they want to see more government people out
24 there?

25 MR. JONES: Well,.....

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810 N STREET
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1007 WEST THIRD AVENUE
272-7515

1 CHAIRMAN COTTEN: That's a bad question.

2 MR. JONES:the general reaction when you come
3 from Anchorage or come from a government agency to rural Alaska
4 is they're really glad to see you come and they're really glad
5 to see you go. I think it's very valuable, for both rural
6 Alaska and the regulators and the providers. And, you know,
7 and I commend Jerry for the amount of time that he spent out
8 there. To go out, experience the problems, look at -- talk to
9 the people, ~~find out the level of demand.~~

10 It's been one of the most gratifying parts of my new
11 position here is the amount of time I've spent out there
12 talking about telecommunications and realizing how much demand
13 there is and how -- how many very knowledgeable technically
14 competent people there are in rural Alaska, it's a real eye
15 opener. And they're very, very frustrated. And I -- it would
16 be very valuable for you to experience that.

17 CHAIRMAN COTTEN: Thank you. I guess I could have
18 asked that question probably of anybody on the panel, but I
19 appreciate your response.

20 MR. MAY: Thank you. Commissioner and panelists,
21 Ms. Delore (ph) has advised me that we're running a little bit
22 late and I might have to cut down the presentation time or else
23 cut down the questions. We can run into the break a little
24 bit, but we have another panel after this, so I'm going to move
25 right along, I'm going to shorten my introductions. The future

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810 N STREET
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1007 WEST THIRD AVENUE
272-7515

1 is here, Lance Ahern, President of Internet Alaska. Go, Lance.

2 MR. AHERN: Thanks, Don. I just wanted to briefly say
3 that the FCC's web surfer was down last night from 10:30 'til
4 about 5:45 this morning, so if you're looking for a good
5 internet access provider, we can probably help you.

6 One of the other issues that Steve Conn mentioned
7 before was that the kind of money being spent in bush Alaska on
8 travel. And one thing that he didn't mention is that most
9 travel in the bush isn't by plane; it's actually by
10 snowmachine. And during the spring when you read the Daily
11 News and read the stories about the bodies washing up, this
12 starts to become almost a health and safety issue, not just a
13 telecommunications issue.

14 First, I wanted to thank the Commissioners for the
15 ability to speak with you. And as an Internet Service
16 Provider, we have a number of problems with the ability to
17 deliver the amount of service that we would like to in the
18 bush. The first is the obvious issues with qualities of rural
19 infrastructure and I think a lot of people here are familiar
20 with that. I think the Telecommunications Act of '96 and the
21 increased competition is going to help a lot there. Aside from
22 the lack of a physical plant, we have seen a real problem where
23 there's a lack of expertise and provisioning as well as
24 delivery and support for modern digital services in the rural
25 local exchanges. And that, as much as anything else, helps to

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1007 WEST THIRD AVENUE
272-7515

1 deepen (ph) the market for those services.

2 We also see that there are prohibitive costs for rural
3 digital services. And what that means is that, for example, in
4 small communities where we would need something like the
5 ability to deliver leaseline service to the school or to a
6 local health agency in order to help build enough market there
7 to provide a service, that those customers just aren't there
8 because of the high cost in those areas for local digital
9 service.

10 MS. CHONG: Are you delivering it through a wired or
11 wireless capacity?

12 MR. AHERN: Right now, wired. Another major problem
13 for us has been, I'd call it the lack of competitive incentives
14 which has an impact on our cost structure and our quality of
15 service. Without naming any names, because I've got to work
16 with these people, we have -- I'll give a couple of examples,
17 but we have a local exchange carrier who basically we're unable
18 to get the service we need because they're a subsidiary of a
19 national company who's -- Alaska is not big on their priority
20 list. We have -- I said that was a local exchange carrier.

21 We have a local exchange carrier who we have to buy
22 service from who, twice now, we've placed orders to establish
23 new service in their communities that they provide local
24 service to and they've managed to install service in front of
25 us which usually wouldn't happen in the real world where there

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810 N STREET
277-0572/Fax 274-8982

1007 WEST THIRD AVENUE
272-7515

1 -- there is interesting situations in Alaska where because of
2 the small size of the markets, as well as the small size of the
3 staff in some of the local exchange carriers, the same person
4 who we would buy our service from manages a product that
5 competes with us. Fortunately, usually they're unable to make
6 their service work before ours is working, so that hasn't been
7 a major problem.

8 There's an inter-exchange carrier who, in the past,
9 wouldn't provide us with a co-location service until we found
10 out that a competitor of ours who is affiliated with them was
11 able to get that kind of service and we brought it to their
12 attention. There is a local exchange carrier who we provide 20
13 T-1's from, there is no local T-3 access -- I'm sorry, tariff
14 and basically we're not able to get volume pricing which
15 doesn't allow us to lower costs for our customers. There's --
16 another example of an inter-exchange carrier who can't deliver
17 to us a very widely available routing protocol which would help
18 improve our quality of service which is widely available and
19 available from the service provider who provides their service.

20 There are also very long lead times for the local
21 exchange carriers to develop new services. And that means that
22 because some of those digital services that could be available
23 in the urban areas that would help to subsidize our ability to
24 go out into the bush, those products just aren't available when
25 we need them.

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1 There's a real problem with the lack of inter-exchange
2 -- I'm sorry, the inter-exchange -- I should call it interstate
3 facilities. As everybody here knows, the pipe down to the
4 Lower 48 is highly over subscribed and while we can still get
5 the kinds of service we need from that pipe, it leads to some
6 other conditions where there's some artificially high prices
7 for things like what we'd call a personal line down to the
8 Lower 48 as compared to the price for any relay services. So
9 we're definitely looking forward to new products -- new
10 interstate facilities being put in place in the coming year.

11 We find that the changes in the regulatory environment
12 that are due to the 1996 Act, the effect that we're seeing is
13 that there's a lot of emphasis in the local exchanges and the
14 inter-exchange carriers on competing in each other's markets
15 rather than maybe developing some new services that we need
16 right now. And it's really put some services that we'd like to
17 have kind of on the back burner.

18 Another regulatory issue for us, we haven't really
19 participated in this very strongly, but we know that the Public
20 Utility Commission here was very well intentioned in trying to
21 get the best prices out of ATU for ISDN service in Anchorage.
22 But the practical effect has been that there is no ISDN service
23 and there are a lot of people who would like to see that kind
24 of service. And we hope that that will get resolved fairly
25 quickly. What that does is it really dampens the market.

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1 We've talked to other carriers since then who had considered
2 trying to develop an ISDN service who have basically put it on
3 hold and it also means that other services that we need, what
4 we would call a metro frame service might be delayed because
5 these things are all related to each other.

6 Basically there's still plenty of good news in
7 Anchorage in general and urban Alaska. There's a very good, I
8 would call internet service. Currently in Anchorage we have 10
9 ISP's that I'm aware of, probably more who are providing
10 service to customers, even in fairly small -- not rural Alaska,
11 but places like Homer where there are a few thousand people,
12 they have three Internet Service Providers. In Anchorage, we
13 currently provide service to about five percent of the
14 households and we just got back from an Internet Service
15 Provider conference down in San Francisco where basically we
16 were among the top 10 out of about 1,100 service providers at
17 the conference so there's plenty of market certainly in the
18 urban areas in Alaska which is definitely going to help support
19 delivering rural access.

20 MR. MAY: One minute, Mr. Ahern, please.

21 MR. AHERN: Thank you. I think that's pretty much it.
22 I can kind of close it down right there. I'll just add real
23 quickly that some of the things that we'd like to see, for
24 example, are that there's more of a focus on delivering
25 services over the digital network as opposed to just plain

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1 delivering the physical plant. There isn't a physical plant
2 there now that, for example, the State of Alaska could look at
3 actually starting to provide services to the public over that
4 network.

5 And, for example, there's some people who are very
6 involved in delivering some of these services right now, for
7 example, Fred Pearce is here for the telemedicine project.
8 And, you know, they're basically ready to do all this, but
9 there's been too much of a focus on building the networks and
10 not delivering the content that these networks could provide to
11 people.

12 Thank you.

13 MR. MAY: Thank you, Mr. Ahern. Commissioner Chong, I
14 think your schedule is driving the rest of the panel. Would
15 you like to continue with questions or.....

16 MS. CHONG: Yes, I would.

17 MR. MAY: Okay.

18 MS. CHONG: If you could just promise to answer them
19 quickly. Are you telling me that most Alaskans are getting
20 their net service then over 28.8 baud modems, is that the
21 average?

22 MR. AHERN: To the best of my knowledge most people are
23 actually getting 28.8 K service.

24 MS. CHONG: And you mentioned ISDN service, what's the
25 availability of ISDN lines in Anchorage?

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1 MR. AHERN: It doesn't exist. There is none.

2 MS. CHONG: There is none, okay. Now, the '96 Act
3 tells us we have to ensure access to advance services for all
4 Americans. Do you think you could identify for me the minimum
5 infrastructure or facilities that carriers should make
6 available to internet providers like you so that more consumers
7 could get net access?

8 MR. AHERN: We've been talking, in particular, to
9 people like GCI about the ability to co-locate in their Dama
10 facilities and as far as we can tell there's a real openness to
11 provide access to some of those facilities. I guess we have to
12 see how that all plays out. But we think, you know, the
13 environment's there, the real issue right now is, you know,
14 what is the lead time, what's the time to implement all this
15 stuff. My view is they'll -- you know, a lot of these villages
16 aren't going to see this service for a couple of years. By the
17 time, you know, internet access is available in Egegik (ph),
18 you know, the whole market will have changed in the Lower 48,
19 you might as well start targeting that future market now rather
20 than worrying about what's considered the minimal acceptable
21 market right now.

22 MS. CHONG: Thank you very much. Mr. May.

23 MR. MAY: Thank you. If I can I'll move on to our next
24 panelist. Jack Rhyner is the President of TelAlaska, a small
25 rural telephone company serving about 21 communities, but only

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1 about 5,000 lines in total. Mr. Rhyner.

2 MR. RHYNER: Thank you. TelAlaska has provided
3 telephone service in rural Alaska for the past 27 years.
4 TelAlaska is the parent company of Interior Telephone Company
5 and Mukluk Telephone Company. Both local exchange carriers.
6 And our service areas, even by Alaskan standards, include some
7 of the most remote, rugged and culturally diverse geographic
8 areas in the United States. These areas include Little Diomede
9 Island which is located in the Bering Sea, only 2.6 miles from
10 Russia. Fort Yukon, an Athabascan Indian community where
11 temperatures can exceed 90 degrees in the summer and 50 below
12 in the winter. We also serve communities located on the Alaska
13 Peninsula and the Aleutian Islands, including Unalaska, Sand
14 Point and King Cove, where hurricane force winds and volcanic
15 eruptions are frequent occurrences. TelAlaska's service areas
16 also include 12 Eskimo villages along the Iditarod sled trail
17 near Nome.

18 Mukluk's telephone service area exceeds 27,000 square
19 miles. Of the communities that Mukluk serves, Little Diomede
20 is the most remote. It's a rocky, treeless island located 150
21 miles west of Nome. In the summer it is accessible only by
22 helicopter or boat. In the winter they plow the snow off the
23 pack ice on the Bering Sea for a runway. This community is
24 like so many others in rural Alaska, has no hotel. So our
25 technician -- part of our technician's equipment includes a

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